

The Manufacturers Hanover Financial Digest

Weekly Commentary,
Selected Financial Data,
and Business Indicators

MONDAY, SEPTEMBER 27, 1982

VOLUME XIX, NUMBER 39

Recession Reaches New York State

The softness in the U.S. economy has finally begun to affect New York State. Until recently, the state as a whole showed few repercussions from the national recession. Aided by an aggressive tax reduction program which began in 1977, the state gained almost 500,000 jobs between 1976 and 1981, an increase of 7.2 per cent. But, in the past few months the state's economy began to reflect the nation's malaise. Approximately 62,000 jobs were lost in the year ending July, 1982, mostly reflecting a drop in manufacturing employment while growth continued in the service and finance-related sectors (see chart opposite). Unadjusted for seasonal changes, the state's unemployment rate rose to 8.5 per cent of the labor force in July from 7.8 per cent in July, 1981—but it is still well below the national average of 9.8 per cent.

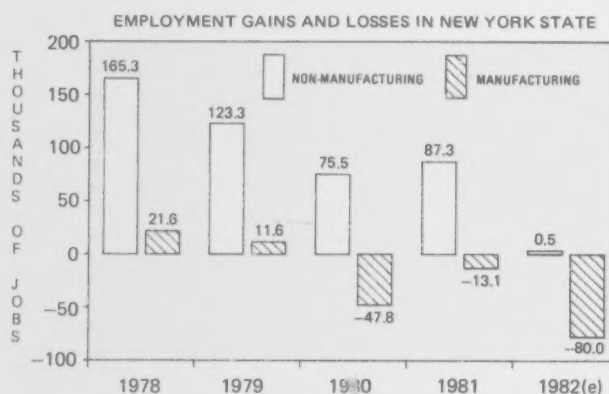
Retail sales have been relatively flat. New York State's retail sales for January through June, 1982 were only 2.7 per cent above the same period in 1981. Residential construction activity also slowed, but the value of new non-residential construction has risen over ten per cent so far this year. New York State's major labor market areas are a mixture of positives and negatives—a microcosm of the United States, although in better shape overall. Unemployment rates in July, for example, ranged from a low of 5.5 per cent in Poughkeepsie to a high of 12.5 per cent in Buffalo.

Manufacturing Drops In New York City

The New York City area highlights the transition from manufacturing to financial and service jobs, although the ten-county Metropolitan region (including New York City, Long Island, Westchester, Rockland and Putnam) had no net change in the total number of jobs between July, 1981 and July, 1982.

In the city, the shift from manufacturing was apparent: 15,900 manufacturing jobs were lost in the twelve months ending in July, while 12,100 jobs in finance and 25,000 in services were gained. The same trend was observed in the suburbs, where 4,800 manufacturing jobs and 1,700 construction jobs were lost, while 9,200 financial and service jobs

were added. Trade employment declined by 1,400 jobs in New York City, but increased by 700 in the suburbs, reflecting a continuing shift of wholesalers and retailers from the congested city to the affluent suburban markets.



The city's unemployment rate increased from 9.6 per cent to 9.7 per cent between July, 1981 and July, 1982. But jobless rates were lower in the surrounding suburbs: 6.5 per cent in Long Island, 4.7 per cent in Westchester, and 6.2 per cent in Rockland and Putnam counties. It appears that displaced city blue-collar workers lack the skills needed for the emerging financial and service jobs, and that these jobs are being largely filled by suburban commuters. In July, more than 42 per cent of the state's unemployment insurance beneficiaries were New York City residents.

Dampened by unemployment and a leveling of tourism, retail sales in the city during the first six months were 3.5 per cent below the 1981 figure. However, the suburbs showed a sales gain of 7.4 per cent, partly due to lower unemployment rates. The improved inflation picture has particularly helped boost the suburban consumers' buying power. While consumer price inflation in the NYC region slowed to a 5.2 per cent rate in the past year, prices rose even more slowly for home fuel and private transportation, both of which loom large in suburban budgets.



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New construction eased in the NYC region in the first part of the year. So far this year, there has been a drop of 35 per cent in residential building permits compared with 1981. The dollar value of non-residential construction in the region has so far increased by six per cent over last year. Construction in Manhattan is still booming, but the boom may be sowing the seeds of a future glut of office space: 16 new office buildings will open this year and 18 more will open next year. Development costs have soared. Annual rentals of nearly \$40 per square foot will be required just to break even—triple the amount paid for comparable space only three years ago. High rentals have already forced many backoffice operations to the outer boroughs and suburbs.

In short, the resurgence in New York City's economy during the past few years seems to have run its course. However, the continuing transition to a service-based economy should pave the way for future growth, once the national economy picks up.

Western And Central New York Are Weak

The two largest labor markets in the western sector of New York State have reacted differently to the national recession. Buffalo's economy has been in a tailspin due to pervasive softness in autos and steel. The area lost five per cent of its non-farm jobs (mostly in manufacturing) between July, 1981 and July, 1982. As a result the unemployment rate jumped to 12.5 per cent in July from 9.2 per cent a year earlier. New construction has reflected the

Selected Federal Reserve Data

(Averages of Daily Figures—Billions of Dollars)

	Week Ending 9/15/82	% Change Since	
		Week Ago	Year Ago
Reserve Bank Credit			
U.S. Gov'ts and Agencies			
Owned Outright & RPs	140.246	— .800	+ 8.333
Loans to Depository Inst.	1.329	+ .385	— .007
Float	2.397	+ .458	— 1.532
Total Reserve Bank Credit	153.148	+ .429	+ 7.618
Treasury Deposits with			
Federal Reserve Banks	3.468	— .308	+ .471
Currency Outside Banks	132.513	+ .104	+ 8.528
Member Bank Reserves:			
Required	39.233	+ .542	— .573
Excess (Deficiency)	.422	— .297	+ .011
Total Reserves Held	39.655	+ .245	— .562
Net Borrowed Reserves	.818	+ .699	+ .098
Gov'ts held for Foreign Acct. by F.R. Banks (End-of-Week)	99.391	+ 1.949	+ 6.541
Monetary Aggregates †		% Change Since	
		Three Months Ago*	Year Ago
M1	460.6	+ 5.2‡	+ 6.4‡
M2 (August '82)	1,946.1	+ 10.2	+ 9.8
M3 (August '82)	2,355.5	+ 13.4	+ 10.8
L (May '82)	2,773.2	+ 12.3	+ 11.7

† Seasonally adjusted.

* Seasonally adjusted annual rate.
‡ Four-week moving average.

New York Money Market

Offering Rates 9/24/82	3 Months	6 Months	1 Year
‡ U.S. Treasury Bills	6.90%	8.60%	9.40%
* Federal Agencies	9.71	11.19	11.71
* Project Notes—Taxfree (46% Taxable Equivalent)	8.52	9.54	11.57
Negotiable Time CDs			
Manufacturers Hanover	Rates By Arrangement		
* Secondary Market—Prime	10.60	11.50	11.75
‡ Finance Company Paper—Prime		‡ Bankers' Acceptances	
5- 14 days	9.50%	Oct.	9.80%
15- 29 days	9.63	Nov.	10.00
30- 59 days	9.88	Dec.	10.40
60- 89 days	10.13	Jan.	10.60
90-179 days	10.25	Feb.	10.65
180-239 days	10.25	Mar.	10.55
240-270 days	10.25		
‡ Industrial Paper—Prime		† Federal Funds	
30- 89 days	10.00%	Effective Rate	
90-120 days	10.25	10.10%	
‡ Discount basis.		* Subject to availability.	† Estimated.

Selected Business Indicators

(All Dollar Figures in Billions)

	Latest Period or End of Period		Previous Period	Year Ago Period
Gross National Product (Current Dollars)*	2nd Q'82	\$ 3,045	\$ 2,996	\$ 2,902
Gross National Product (1972 Dollars)*	2nd Q'82	\$ 1,478	\$ 1,471	\$ 1,502
Percent Change, Annual Rate	2nd Q'82	2.1	— 5.1	— 1.5
Change in Consumer Prices (all urban consumers)*	Aug '82n	3.6%	7.2%	9.6%
Change in Producer Prices*	Aug '82	7.2%	7.2%	3.6%
Civilian Employment (Thousands of Persons) †	Aug '82	99,839	99,732	100,840
Unemployment as % of Civilian Labor Force †	Aug '82	9.8%	9.8%	7.3%
Personal Income*	Aug '82n	\$ 2,601	\$ 2,593	\$ 2,460
Leading Indicators Composite Index (1967=100) †	Jul '82	129.8	128.1	134.8
Industrial Production Index (1967=100) †	Aug '82	138.0	138.7	153.6
Net Change in Consumer Installment Credit †	Jul '82	\$ 0.57	\$ 1.35	\$ 1.55
U.S. Merchandise Trade Balance †	Jul '82	—\$ 2.42	—\$ 3.44	—\$ 1.78
Plant and Equipment Expenditures*	4th Q'82	\$324.47(a)	\$328.04(a)	\$327.83
Private Housing Starts (Thousands of Units)*	Aug '82	1,002	1,195	946
New Construction Expenditures*	Jul '82	\$ 228.5	\$ 230.2	\$ 238.1
Total Business Inventories †	Jul '82	\$ 513.4	\$ 512.8	\$ 504.7
Total Business Sales †	Jul '82	\$ 345.4	\$ 345.6	\$ 355.1

* Seasonally adjusted annual rate.

† Seasonally adjusted.

n—Newly reported figure.

a—Anticipated.

area's general economic ills. Since January, permits issued for residences are down one-third from 1981. The value of new non-residential construction declined more than 38 per cent from last year's comparable figure.

The Rochester area is in a considerably stronger position, resulting from its greater reliance on companies engaged in high-technology business. Employment there grew by almost one per cent during the July-to-July period. Nonetheless, the unemployment rate rose to 7.0 per cent in July of this year from 5.9 per cent in July, 1981, because the labor force grew faster than job opportunities. Construction activity in the Rochester area more than held its own, as permits for new residences

increased seven per cent so far in 1982 over the same period last year.

The four major labor market areas in central New York (Albany-Schenectady-Troy, Binghamton, Syracuse and Utica-Rome) lost about one per cent of their non-farm jobs in July, 1982 over 1981. In a shift to the finance and service sectors, nearly 10,000 manufacturing jobs were lost here, while over 3,000 non-manufacturing jobs were added. The unemployment rate for these four areas was only 7.7 per cent, however, compared with the statewide average of 8.5 per cent. Construction activity was also relatively flat in this central region.

The Hudson Valley (Poughkeepsie) is noteworthy

Short Term Paper Outstanding

(Millions of Dollars)

	Latest Week	Change Since Week Ago	Year Ago
Negotiable Time CD's			
Weekly Reporting Banks			
Nationwide (9/8/82)	147,492	- 1,138	+20,005
New York City (9/8/82)	39,650	- 761	+ 8,883
Commercial Paper (9/8/82)	171,194	- 2,868	+15,204

Bank Loans

(Millions of Dollars)

Commercial and Industrial Loans			
Weekly Reporting Large Commercial Banks	Latest Week	Change Since Week Ago	Year Ago
Nationwide (9/8/82)	213,005	+ 264	+28,425
New York City (9/8/82)	59,889	- 74	+ 6,188
Total Loans Gross Adjusted			
	Latest Week	Change Week Ago	Year Ago
Nationwide (9/8/82)	494,003	- 1,427	+42,113
New York City (9/8/82)	117,676	- 1,005	+ 9,417

Financial Markets

	Friday 9/24/82	Change Since Week Ago	Year Ago
U.S. Governments, Closing Yields:			
90-Day Billst	7.94%	- .18	- 6.78
180-Day Billst	9.75	- .25	- 5.95
Longest Billst	10.59	- .41	- 5.52
Recent Issues:			
12 ¹ / ₈ S 9/30/84 (When Issued)	11.77	- .20	
12 ¹ / ₄ S 9/30/86 (When Issued)	12.06	NA	
13 ³ / ₄ S 5/15/92	12.31	- .16	
14s 11/15/11	11.90	- .17	
Municipals:			
Bond Buyer-20 Bond Index* (9/23/82)	10.58%	- .16	- 1.99
Blue List Total (\$ Million)	\$1,215	+ \$ 70	+ \$ 607
30-Day Visible Supply (\$ Million)	\$2,618	+ \$132	+ \$1,186
Total	\$3,833	- \$ 62	+ \$1,793
Corporates:			
Moody's Aa Composite (9/23/82)	13.46%	- .36	- 2.49
30-Day Visible Supply (\$ Million) ‡	\$1,509	+ \$224	NA
Stocks:			
Dow-Jones Averages:			
Industrials	919.52	+ 2.58	+ 95.51
Transportation	369.60	+ 7.34	+ 34.12
Utilities	117.06	+ 1.43	+ 14.85
65 Stocks	358.14	+ 3.21	+ 37.55
Standard and Poor's 500 Stocks	123.32	+ .77	+ 10.55
N.Y.S.E. Composite Index	70.75	+ .40	+ 5.79
N.Y.S.E. Avg. Daily Vol. for Week (000's)	68,504	- 2,650	+ 18,892

* 46% Taxable equivalent 19.59%.

‡ Series redefined: Historical data not available.

† Bond equivalent.

International Rates

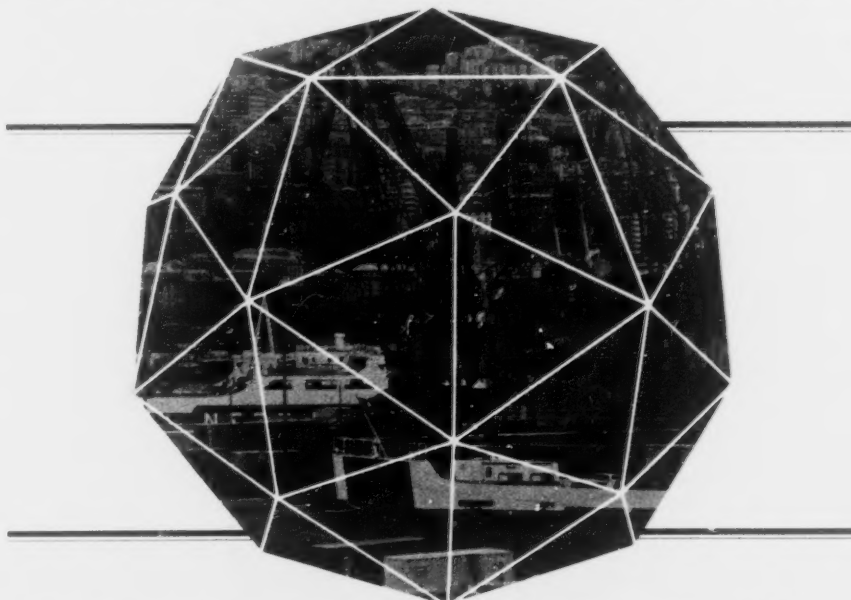
	Friday 9/24/82	
EURODOLLAR DEPOSIT RATES (bid)		
Overnight	10.63%	10.75%
1 month	11.25	11.38
3 month	11.69	12.13
6 month	12.31	13.00
1 year	12.31	13.25
EURODOLLAR BONDS		
Average Yield		
Medium Term (5 to 7 yrs.)	13.25%	13.50%
Long Term (7 to 15 yrs.)	13.45	13.65
FOREIGN EXCHANGE SPOT RATES		
New York Opening (9/24/82)	U.S. \$ Equivalent	Currency Per U.S. \$
Belgium	.02054	48.69
Canada	.8114	1.2325
Denmark	.1134	8.8155
France	.1407	7.1075
Germany	.3977	2.5143
Italy	.0007061	1416.20
Japan	.003752	266.50
Mexico	.01143	87.50
Netherlands	.3630	2.7545
Switzerland	.4634	2.1578
U.K.	1.7087	.5852

because its specialization in high-technology makes it—along with Rochester—one of the state's healthiest regions. Manufacturing accounts for one-third of the area's jobs. Of the 2.2 per cent gain in jobs in the July-to-July period, most were in manufacturing. Unemployment dropped to 5.5 per cent of the labor force—the lowest jobless rate in the state.

In the cloudy atmosphere of a weak national recovery from recession, New York State's economy will probably remain stagnant for the remainder of

1982. Unemployment rates could rise higher—but there are some bright spots as well. Areas that specialize in high-technology or defense industries (Rochester, Poughkeepsie and the NYC suburbs) will continue to prosper, while New York City will continue to be sustained by its financial and service sectors. At the moment, the best hopes for long-run economic health in New York State lie in its continued transition from traditional industrial activities to a more modern emphasis on services and high-technology manufacturing. H

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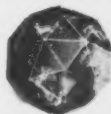
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